Crown Corporations Council

A Manitoba Crown Corporation

Annual Report 2005

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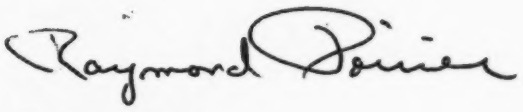
Letter of Transmittal

The Honourable Greg Selinger
Minister responsible for
Crown Corporations Council
Province of Manitoba
103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I am pleased to submit for your consideration the Annual Report of the Crown Corporations Council for the year ended December 31, 2005.

Yours truly,



Raymond Poirier
Chair

May 23, 2006

Message from the Chief Executive Officer and Chair

The large commercial Crowns under Council's purview deliver electricity, automobile insurance and natural gas service to the people of Manitoba. In addition gaming and alcoholic products are offered within a framework of responsible use.

Council's mandate is one of facilitation to assist Crowns to meet their obligations under the Act. It is an on-going process and co-dependent on actions of other organizations involved.

Council's annual report highlights its activities in supporting Crowns in achieving and maintaining a clear mandate and purpose, having effective criteria for measuring performance and following appropriate long term corporate and capital expenditure plans.

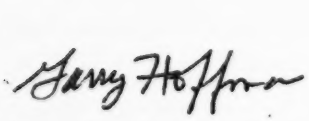
Council identifies opportunities for mandate and policy clarification, assesses performance measurement and reporting systems, reviews strategic plans and capital expenditure programs.

Council focuses on consistent practices in the areas of governance and risk management supported by a small team of five full time staff of which two are professional staff and two members are administrative support.

During the year Mr. Arthur Mauro retired from the Council concurrent with the expiry of his term of office. He had been Chairman of Council since 1997. Council thanks him for his leadership of the work of Council. Staff appreciated his guidance and wisdom provided over the last nine years.

In April 2006, Mr. Raymond Poirier was appointed as Chair and Ms. Elaine Cowan was appointed as a Member to Council for a three year term.

Highlights of Council's actions and reviews for the year follow. The financial statements indicate that expenses were up from prior year.



Garry M. Hoffman
President and Chief Executive Officer

Raymond Poirier
Chair

Corporate Profile

The Crown Corporations Council is a Manitoba Crown corporation responsible to the Minister responsible for administration of The Crown Corporations Public Review and Accountability Act (the Act). The Act proclaimed in December 1988 intended to enhance Crown corporation accountability by establishing governing provisions for corporations subject to the Act. Council's duties are established in the Act and its role is conducted through facilitation, reviews, monitoring and providing Government through Council's Minister responsible advice on any matter identified or requested affecting the Crowns.

Duties:

- Facilitate, in cooperation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation.
- Facilitate, in cooperation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance.
- Review long term corporate plans and capital expenditure proposals; ensure consistent practices among two or more corporations where appropriate.
- Provide any advice to the Lieutenant Governor in Council on those plans, proposals and practices or any other matter of policy affecting corporations that may be requested by the Lieutenant Governor in Council.
- Receive and hear submissions from any person who, in the opinion of the Council, has knowledge respecting any aspect of a corporation's activities regarding alleged failures by the corporation to comply with any Act or any policy of the Council.

Council's operations are funded by recovering operating expenses through assessment of levies to the Crown corporations subject to the Act. In 2005 these corporations included Manitoba Hydro, Manitoba Public Insurance, Manitoba Lotteries Corporation, Manitoba Liquor Control Commission, Communities Economic Development Fund, Manitoba Centennial Centre Corporation and Venture Manitoba Tours Ltd.

Corporate Goverance

The Board governs with an emphasis on outward vision, encouragement of diversity in viewpoints, strategic leadership, clear distinction of Board and Chief Executive roles, collective decisions, future rather than past orientation and a proactive rather than reactive approach.

The Board directs, controls and inspires the organization through establishment of written policies reflecting Board values and perspectives and focuses on achievement of outcomes and long term effects. Board process and performance is monitored and self assessed annually.

The Board together with the President and CEO has developed descriptions for the chairperson's role, the Board as a whole, the President and CEO including the accountability of the CEO and defined limits to management's responsibilities.

The Board is responsible for appointment of a President and CEO, monitoring and evaluating the CEO's performance.

Board Composition

The governing body of Council consists of eight members appointed by the Lieutenant Governor in Council. Members are chosen to serve based on statutory provisions outlined in the Act.

One member is the Dean of The Asper School of Business at the University of Manitoba or designate from that Faculty. One member is nominated by the Institute of Chartered Accountants of Manitoba. One member is a person who, in the opinion of the Lieutenant Governor in Council, represents organizations of consumers in Manitoba.

At least three members are persons who, in the opinion of the Lieutenant Governor in Council, have demonstrated management or technical expertise.

The President and CEO of Council is an ex-officio member of the Board.

Director Independence

The Board considers all Directors to be independent from Council. Independence is considered to have no direct or indirect material relationship with Council. A material relationship means a relationship which could be viewed as reasonably interfering with the exercise of independent judgement. In

addition, all Directors with the exception of one, are considered independent from the Crowns under Council's purview. The non-independent Director does not participate in discussions or decision making respecting the related Crown corporation.

Board Committees

In accordance with Section 15 (2) and Section 18 of The Crown Corporations Public Review and Accountability Act (the Act) the Board has established a planning committee and an audit committee. The planning committee is comprised as the Board as a whole.

Duties of the audit committee are established in Section 18 of the Act. The audit committee is comprised of three members all of which are considered to be financially literate. A member is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the organization's financial statements.

Director Remuneration

The chairperson, vice-chairperson and members of Council are entitled to remuneration and reimbursement for expenses that have been prescribed by the Lieutenant Governor in Council through relevant Orders-in-Council. Remuneration for the chairperson is set at $25,000 per annum and for each member including the vice-chairperson is set at $7,500 per annum.

Board Meetings

The Board meets a minimum of five times during the year and includes in-camera session without management present as a regular feature of each scheduled Board meeting. Board attendance is recorded.

Public Reporting

Council is required by statute to file an annual report to the Minister responsible on its activities. The annual report is tabled in the Legislative Assembly. In addition, a quarterly report is provided to the Minister responsible.

Membership of the Board

Arthur V. Mauro, O.C., Q.C. — Chairman 1997 to 2005
Attended six out of seven meetings

Janice Y. Lederman — Vice-Chair since 2001
Partner, Thompson Dorfman Sweatman
Non-independent in relation to Manitoba Hydro
Attended three out of seven meetings

Dr. Glenn Feltham — Appointed July 2004
Dean, Asper School of Business — Member - Audit Committee
University of Manitoba
Attended six out of seven meetings

Kent J. Haugen, FCA — Member since March 2002
Partner, Business Consulting & Taxation — Member - Audit Committee
Haugen Morrish Angers, Chartered Accountants
Attended six out of seven meetings

Ric dela Cruz — Member since 2003
Attended five out of seven meetings

Judy A. Murphy, CA — Member since 2000
Executive Director, Royal Winnipeg Ballet — Chair - Audit Committee
Attended seven out of seven meetings

Raymond Poirier, C.M. — Member since 2002
President, B-Bel Inc.
Attended six out of seven meetings

Becky Barrett — Appointed July 2004
Attended four out of seven meetings

Corporate Performance

Council defines its primary client as the Minister responsible for the Council and representative Ministers responsible for the Crowns under Council's purview. Ministers provide ownership direction to the respective Crown corporations within the context of sound understanding of current and future performance and challenges while respecting the accountability of both the Minister and the Crown Board.

In 2005, Council identified three areas of importance in providing ownership direction to Crown corporations. These are Ministerial direction and expectations regarding commercial goals and performance, full and continuous disclosure of the Crown Board and management to the Minister as owner representation and determining the risk that the owner feels is appropriate for the Crown.

Within this planning context our priority activities in 2005 were developed to achieve the following outcome and results:

Priorities

The following priorities were identified in the 2005 - 2007 Report on Plans and Priorities

1. The Board of Council engage Ministers responsible on ownership issues of Ministerial direction and expectations, full and continuous disclosure and risk.
2. Council staff raise awareness and understanding of issues related to mandates and purpose, performance, long term plans and capital expenditure programs.

Strategic Outcome

Decisions recognize concern for ownership issues of commercial Crowns.

Expected Results:

- Resolution of ownership issues is influenced by Council
- Commercial Crowns are aware of and understand the problems, opportunities, and potential solutions.

Summary of Performance for 2005 in Relationship to Strategic Outcome

Strategic Outcome	2005 Priorities	Type of Activity	Expected Results
Resolution of ownership issues is influenced by Council	Council Board engage Ministers responsible	New	Not fully achieved
Commercial Crowns are aware of and understand the problems, opportunities and potential solutions.	Council staff raise awareness and understanding of issues	On going	Fully achieved

Accomplishments in 2005

Mandate and Purpose

"Facilitate, in cooperation with each corporation, the development of a clearly defined mandate and a clear statement of purpose for the corporation".

◊ During the year, reviews were undertaken on all Crowns under Council's purview.

Crown Corporation Performance Measurement and Reporting

"Facilitate, in cooperation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance."

- ◊ Continued monitoring of each Crown's measurement and reporting practices.
- ◊ Gaps continue to exist in the development of high-level corporate performance indicators and targets for Manitoba Lotteries Corporation and the Manitoba Centennial Centre Corporation.

Crown Corporations Plans and Capital Expenditures

"Review long term corporate plans and capital expenditure programs."

- ◊ Completed annual review of Crowns' capital expenditure programs and borrowing requirements.

Consistent Practices

"Ensure consistent practices among two or more corporations where appropriate."

- ◊ Continued monitoring of governance, risk management, sustainable development and social responsibility processes and practices.

Submissions to Council

"Receive and hear submissions regarding alleged failures to comply with any Act or any policy of the Council."

- ◊ In 2005 Council received no submissions.

Sustainable Development

During 2005 activities continued toward achieving sustainable development:

- ◊ Continued to follow procurement policy which is consistent with Manitoba's principles and guidelines of sustainable development.
- ◊ Continued recycling program.
- ◊ Continued conserving resources and waste reduction and diversion.
- ◊ Continued evaluating value, performance and need.

Summary of Resources

Our cost of operations continues to be relatively stable.

Expenses:

(thousands of dollars)

2005	2004	2003	2002	2001
694	686	632	657	866*

* included $200 thousand in consultant fees to conduct special reviews.

AUDITORS' REPORT

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 2005 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
March 24, 2006.

Chartered Accountants

Financial Statements

Responsibility for Financial Statements

The management of the Crown Corporations Council is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors. The statements have been examined by Ernst & Young, LLP, independent external auditors, whose opinion is included herein.

The preparation of the financial information contained in the annual report necessarily involved the use of certain estimates and judgments which have been reached based on careful assessment of data available through the Council's information systems.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Council. Management maintains an appropriate system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements.

The Audit Committee of the Board of Directors meets periodically with officers of the Council and the Council's auditors. The auditors have free access to this Committee, to discuss the results of their audit work and their observations on the internal financial controls and the quality of financial reporting.

Gary Hoffman

President and Chief Executive Officer

Denise Jackson

Manager, Operations Analysis

BALANCE SHEET

	December 31	
	2005	2004
ASSETS	(thousands of dollars)	
Current:		
Cash	$ 300	$ 384
Accounts receivable	6	6
	306	390
Capital assets (note 4)	20	35
	$ 326	$ 425
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 79	$ 71
Levies received in advance	52	140
Due to Manitoba Crown corporations (note 3)	53	76
	184	287
Retirement allowances and other benefits payable (notes 2(d) and 5)	122	103
	306	390
Reserve reflecting net investment in capital assets	20	35
	$ 326	$ 425

Approved by the Board

Raymond Poirier
Chair

Director

(see accompanying notes)

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31	
	2005	2004
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$ 673	$ 711
Recoveries from corporations through direct charges	–	–
Interest	6	5
	679	716
Expenses		
Salaries and benefits (notes 2 (d) and 5)	485	488
Board remuneration and expenses	86	82
Rent	74	68
Depreciation	15	11
Automobile expense	8	8
Professional fees	7	8
Office supplies and printing	7	7
Telephone and courier	5	4
Equipment rental and maintenance	3	3
Industry conferences	1	2
Insurance and miscellaneous	1	2
Travel	1	2
Professional development	1	1
	694	686
Excess (deficit) of income over expenses	$ (15)	$ 30
Reserve reflecting net investment in capital assets, beginning of year	35	5
Reserve reflecting net investment in capital assets, end of year	$ 20	$ 35

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital Assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) **Retirement allowances and other employee future benefits**

The Council provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. Actuarial gains and losses are recognized in income immediately.

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The cost for the year was $22,000 (2004 - $21,000).

In addition, one employee is entitled to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

e) **Financial instruments**

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, retirement allowances and other benefits payable, and due to Manitoba Crown corporations. Unless otherwise stated, it is management's opinion that the Council is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the Council's financial assets and liabilities approximate their fair value.

f) **Use of estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates.

3. Due to Manitoba Crown corporations

These amounts are non-interest bearing and represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31	
	2005	2004
	(in thousands of dollars)	
Cost		
Office furniture and equipment	$ 61	$ 61
Computer equipment	46	46
	$107	$107
Accumulated depreciation		
Office furniture and equipment	$ 58	$ 56
Computer equipment	29	16
	$ 87	$ 72
Net book value	$ 20	$ 35

5. Retirement allowances and enhanced pension benefits

The Council measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2004 and the next required valuation is as of December 31, 2007.

(a) Information about the Council's retirement allowance benefit plan is as follows:

	2005 $	2004 $
Accrued benefit obligation		
Balance, beginning of year	76	68
Current service cost	4	3
Interest cost	5	5
Experience loss on triennial adjustment	6	–
Accrued benefit obligation, December 31	91	76
Unamortized transitional amount, December 31	(20)	(26)
Accrued retirement allowance, December 31	71	50

The Council's retirement allowance expense consists of the following:

	2005 $	2004 $
Current service costs	4	3
Interest cost	5	5
Experience loss on triennial adjustment	6	–
Amortization of transitional amount	6	4
	21	12

The significant actuarial assumptions adopted in measuring the Council's retirement allowance obligation are as follows:

	2005 %	2004 %
Benefit costs for the year ended December 31		
Discount rate	6.50	6.75
Rate of compensation increase	4.00	4.50

(b) Information about the Council's enhanced pension benefit plan is as follows:

	2005 $	2004 $
Accrued benefit obligation and accrued pension liability		
Balance, beginning of year	53	36
Current service cost	7	14
Interest cost	3	3
Experience gain on triennial adjustment	(12)	–
Accrued benefit obligation and accrued pension liability, December 31	51	53

The Council's enhanced pension expense (income) consists of the following:

	2005 $	2004 $
Current service costs	7	14
Interest cost	3	3
Experience gain on triennial adjustment	(12)	–
Employee contributions	(3)	(3)
Total enhanced pension expense	(5)	14

The significant actuarial assumptions adopted in measuring the Council's pension obligation are as follows:

	2005 %	2004 %
Benefit costs for the year ended December 31		
Discount rate	6.50	6.75
Rate of compensation increase	4.00	4.50

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2010 to annual basic rental payments of approximately $35,400 and annual common area and operating costs of approximately $33,200.

The lease payments excluding annual common area and operating costs are as follows:

Year	Base Rent
2006	$35,379
2007	$35,379
2008	$35,379
2009	$35,379
2010	$11,793
	$153,309

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

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